

Presentation  
on  
Stock Exchange

Submitted by  
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# Stock Exchange

- The secondary tier of the capital market is what we call the stock market or the stock exchange. The stock exchange is a virtual market where buyers and sellers trade in existing securities. It is a market hosted by an institute or any such government body where shares, stocks, debentures, bonds, futures, options, etc are traded.
- A stock exchange is a meeting place for buyers and sellers. These can be brokers, agents, individuals. The price of the commodity is decided by the rules of demand and supply. In India, the most prominent stock exchange is the Bombay Stock Exchange. There are a total of twenty-one stock exchanges in India.

# Functions of the Stock Exchange

- ***Liquidity and Marketability:*** One of the main drawing factors of the stock exchange is that it enables high liquidity. The securities can be sold at a moment's notice and be converted to cash. It is a continuous market and the investors can divest and reinvest with ease as per their wishes.
- ***Price Determination:*** In a secondary market, the only way to determine the price of securities is via the rules of supply and demand. A stock exchange enables this process via constant valuation of all the securities. Such prices of shares of various companies can be tracked via the index we call the Sensex.
- ***Safety:*** The government strictly governs and regulates the stock exchanges. In the case of the BSE, the Securities Board of India is the governing body. All transactions occur within the legal framework. This provides the investor with assurances and a safe place to transact in securities.

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- ***Contribution to the Economy:*** As we know the stock exchange deals in already-issued securities. But these securities are continuously sold and resold and so on. This allows the funds to be mobilized and channelized instead of sitting idle. This boosts the economy.
- ***Spreading of Equity:*** The stock exchange ensures wider ownership of securities. It actually educates the public about the safety and the benefits of investing in the stock market. It ensures a better quality of transactions and smooth functioning. The idea is to get more public investors and spread the ownership of securities for the benefit of everyone.
- ***Speculation:*** One often hears that the stock exchange is a speculative market. And while this is true, the speculation is kept within the legal framework. For the sake of liquidity and price determination, a healthy dose of speculative trading is necessary, and the stock exchange provides us with such a platform.

# Trading and Settlement Procedure

- 1] Selecting a Broker or Sub-broker
- When a person wishes to trade in the stock market, it cannot do so in his/her individual capacity. The transactions can only occur through a broker or a sub-broker. So according to one's requirement, a broker must be appointed.
- Now such a broker can be an individual or a partnership or a company or a financial institution (like banks). They must be registered under SEBI. Once such a broker is appointed you can buy/sell shares on the stock exchange.
- 2] Opening a Demat Account
- Since the reforms, all securities are now in electronic format. There are no issues of physical shares/securities anymore. So an investor must open a dematerialized account, i.e. a Demat account to hold and trade in such electronic securities.
- So you or your broker will open a Demat account with the depository participant. Currently, in India, there are two depository participants, namely Central Depository Services Ltd. (CDSL) and National Depository Services Ltd. (NDSL).

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- 3] Placing Orders
- And then the investor will actually place an order to buy or sell shares. The order will be placed with his broker, or the individual can transact online if the broker provides such services. One thing of essential importance is that the order /instructions should be very clear. Example: Buy 100 shares of XYZ Co. for a price of Rs. 140/- or less.
- Then the broker will act according to your transactions and place an order for the shares at the price mentioned or an even better price if available. The broker will issue an order confirmation slip to the investor.
- 4] Execution of the Order
- Once the broker receives the order from the investor, he executes it. Within 24 hours of this, the broker must issue a Contract Note. This document contains all the information about the transactions, like the number of shares transacted, the price, date and time of the transaction, brokerage amount, etc.
- Contract Note is an important document. In the case of a legal dispute, it is evidence of the transaction. It also contains the Unique Order Code assigned to it by the stock exchange.
- 5] Settlement
- Here the actual securities are transferred from the buyer to the seller. And the funds will also be transferred. Here too the broker will deal with the transfer. There are two types of settlements,
- On the Spot settlement: Here we exchange the funds immediately and the settlement follows the T+2 pattern. So a transaction occurring on Monday will be settled by Wednesday (by the second working day)
- Forward Settlement: Simply means both parties have decided the settlement will take place on some future date. It can be T+% or T+9 etc.

# Bombay Stock Exchange

- The **Bombay Stock Exchange** (Marathi: मुंबई रोखे बाजार) (**BSE**) is an Indian stock exchange located at Dalal Street, Mumbai.
- Established in 1875, the BSE (formerly known as **Bombay Stock Exchange Ltd.**) is Asia's oldest stock exchange. The BSE is the world's 10th largest stock exchange with an overall market capitalization of more than \$2.2 trillion on as of April 2018.

# History

- The Bombay stock exchange was founded by Premchand Roychand, an influential businessman in the 19th-century Bombay. He made a fortune in the stockbroking business and came to be known as the Cotton King, the Bullion King or just the Big Bull. He was also the founder of the Native Share and Stock Brokers Association, an institution that is now known as the BSE.
- While BSE Ltd is now synonymous with Dalal Street, it was not always so. The first location of the earliest stock broker meetings in the 1850s was in a much more natural setting — under banyan trees — in front of the Town Hall, where Horniman Circle is now situated. A decade later, the brokers moved their location to another leafy setting, this time under banyan trees at the junction of Meadows Street and what then called Esplanade Road, now Mahatma Gandhi Road. With a rapid increase in the number of brokers, they had to shift places repeatedly. At last, in 1874, the brokers found a permanent location, the one that they could call their own. The new place was, aptly, called Dalal Street (Brokers' Street).
- The Bombay Stock Exchange is the oldest stock exchange in Asia. Its history dates back to 1855, when 22 stockbrokers would gather under banyan trees in front of Mumbai's Town Hall. The location of these meetings changed many times to accommodate an increasing number of brokers. The group eventually moved to Dalal Street in 1874 and became an official organization known as "The Native Share & Stock Brokers Association" in 1875.



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- On August 31, 1957, the BSE became the first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act. In 1980, the exchange moved to the Phiroze Jeejeebhoy Towers at Dalal Street, Fort area. In 1986, it developed the S&P BSE SENSEX index, giving the BSE a means to measure the overall performance of the exchange. In 2000, the BSE used this index to open its derivatives market, trading S&P BSE SENSEX futures contracts. The development of S&P BSE SENSEX options along with equity derivatives followed in 2001 and 2002, expanding the BSE's trading platform.
- Historically an open outcry floor trading exchange, the Bombay Stock Exchange switched to an electronic trading system developed by CMC Ltd. in 1995. It took the exchange only 50 days to make this transition. This automated, screen-based trading platform called BSE On-Line Trading (BOLT) had a capacity of 8 million orders per day. Now BSE has raised capital by issuing shares and as on 3 May 2017 the BSE share which is traded in NSE only closed with Rs.999 .[\[10\]](#)
- The BSE is also a Partner Exchange of the United Nations Sustainable Stock Exchange initiative, joining in September 2012.
- BSE established India INX on 30 December 2016. India INX is the first international exchange of India.
- BSE launches commodity derivatives contract in gold, silver.

# Index of Bombay Stock Exchange (BSE) Mumbai:

- The BSE Sensex is the most popular value weighted index. It is composed of 30 companies with April 1979 = 100 as its base. The companies in the Sensex are about one-fifth of the market capitalization of BSE.
- BSE uses other stock indices besides the popular Sensex. These indices are BSE 100 and BSE 500. Sensex was introduced in 1986 which has become the barometer of the movements of the share prices in the stock market.
- It is a market capitalization weighted index. It reflects the total market value of all 30 stocks from different industries. The total market value is determined by multiplying the price of the stock with the number of shares outstanding.
- The daily calculation of Sensex is done by dividing the aggregate market value of the 30 companies in the index by a number called the index divisor. The divisor is dealing with the original base period of Sensex.

# Importance of Bombay Stock Exchange (BSE) Mumbai:

- **Importance of Bombay Stock Exchange (BSE) Mumbai:**
- BSE has been a pioneer in many areas. It was the first stock market to introduce Equity Derivatives. It introduced Free Float Index. It enabled the internet trading platform. It was the first to obtain the ISO certification for Surveillance, Clearing and Settlement.
- It had the facility for financial training and it was the first stock market to become electronic. It also launched the nationwide investor awareness campaign and dissemination of information through print and electronic media.

# **Bolt of Bombay Stock Exchange (BSE)**

## **Mumbai:**

- The BSE Online Trading System (BOLT) started in March 1995 to bring about transparency and liquidity and to increase market depth. It was started to eliminate mismatches and settlement risks. It brings about dissemination of information and volumes in trade.

# Investor Protection Fund of Bombay Stock Exchange (BSE) Mumbai:

- BSE has setup an investor protection fund since 1987 to help the investors against defaulting members. The fund is managed by the trustees appointed by the stock exchange. The members contribute to it. The stock market contributes 2.5% of the listing fees collected by it. The stock market also credits the interest on securities deposit kept by it with companies making a public issue.
- The exchange also released 5% of its surplus to this fund. The maximum amount payable to an investor from this fund in the case of default by a member is Rs. 10 lakhs. There is a defaulter committee which finds out the genuineness of the claim. It is then released by the trustees of the fund.

# Investor Education and Training of Bombay Stock Exchange (BSE) Mumbai:

- BSE has been giving a lot of attention to investor education and training. It provides safety and security in the capital market mechanism to ensure investor protection. It provides financial assistance up to Rs. 1 crore to recognized investor associations for their development expenditure towards investor protection measures. It has set up an Investor Assistance centre in many cities.
- These centres provide redressal of investor grievances and information and other facilities to investors. BSE has trend more than 20,000 investors on the capital market mechanisms in the BSE Training Institute. It brings out many publications providing information to the investor. It has arranged seminars and lecturers for creating awareness among investors. It is associated with professional bodies.

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- It has initiated many research projects in collaboration with the management institutes. Its website [bseindia\(dot\)com](http://bseindia(dot)com) provides information on capital markets. It uses audio-visual media and internet for education and training of investors.
- BSE has collaborated with ZEE Interactive Learning Systems to provide knowledge, information and awareness through structured training on various aspects of the capital market to investors. The collaboration would have a pilot series of 26 episodes and it will be aired 3 times in a week. The television series would be called the BSE investor awareness programme.

# Corporatization and Demutualization of Bombay Stock Exchange (BSE) Mumbai:

- The Securities and Exchange Board of India (SEBI) has approved the Scheme for corporatization and demutualization of the stock exchange. The stock market would become a company limited by shares.
- The ownership and management of BSE Ltd. would be separate from the trading rights of the members. The initial membership will be from cardholders of BSE who will become its share-holder and can also become their trading members.



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- A trading member of BSE will also become a trading member of BSE Ltd. After the organization, they will be only one class of trading members with similarity in rights. There will be uniform standards in capital adequacy, deposits and fees.
- The governing board would be constituted in a manner that the trading members do not exceed one fourth of the total strength of the government board. The existing assets and reserves would be transferred from BSE to BSE Ltd. There would be at least 51% of equity shares held by public other than the share-holders which have trading rights.

# National Stock Exchange

- The **National Stock Exchange of India Limited (NSE)** is the leading stock exchange of India, located in Mumbai. The NSE was established in 1994 as the first materialised electronic exchange in the country. NSE was the first exchange in the country to provide a modern, fully automated screen-based electronic trading system which offered easy trading facility to the investors spread across the length and breadth of the country. Vikram Limaye is Managing Director & Chief Executive Officer of NSE.
- The National Stock Exchange of India Ltd. (NSE) is the leading stock exchange in India and the second largest in the world by numbers of trades in equity shares from January to June 2018, according to World Federation of Exchanges (WFE) report.
- National Stock Exchange has a total market capitalisation of more than US\$2.27 trillion, making it the world's 11th-largest stock exchange as of April 2018. NSE's flagship index, the NIFTY 50, the 50 stock index is used extensively by investors in India and around the world as a barometer of the Indian capital markets. Nifty 50 index was launched in 1996 by the NSE.

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- NSE has a fully-integrated business model comprising our exchange listings, trading services, clearing and settlement services, indices, market data feeds, technology solutions and financial education offerings. NSE also oversees compliance by trading and clearing members and listed companies with the rules and regulations of the exchange.
- NSE is one of the pioneer in technology and ensures the reliability and performance of its systems through a culture of innovation and investment in technology. NSE believes that the scale and breadth of its products and services, sustained leadership positions across multiple asset classes in India and globally enable it to be highly reactive to market demands and changes and deliver innovation in both trading and non-trading businesses to provide high-quality data and services to market participants and clients.[\[3\]](#)
- In recent years, it has become more popular and reliable than the much older Bombay Stock exchange due to its automated system .

# History

- NSE was incorporated in 1992. It was recognised as a stock exchange by SEBI under the Securities Contracts (Regulation) Act, 1956, when P. V. Narasimha Rao was the Prime Minister of India and Manmohan Singh was the Finance Minister. NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994.
- NSE was set up by a group of leading Indian financial institutions at the behest of the government of India to bring transparency to the Indian capital market. Based on the recommendations laid out by the Pherwani committee, NSE has been established with a diversified shareholding comprising domestic and global investors. The key domestic investors include Life Insurance Corporation of India, State Bank of India, IFCI Limited, IDFC Limited and Stock Holding Corporation of India Limited. And the key global investors are Gagil FDI Limited, GS Strategic Investments Limited, SAIF II SE Investments Mauritius Limited, Aranda Investments (Mauritius) Pte Limited and PI Opportunities Fund I.
- Between 1994 and 2016, NSE expanded its lines of business and product offerings through the following key milestones:
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# 1990s to 2000

- 2000 Launch of index futures based on the NIFTY 50 index (then known as S&P CNX NIFTY) for trading;
- Listed index futures on NIFTY 50 on the Singapore Exchange;
- Commenced internet trading
- 1998 Commenced NSE certification for "Financial Markets certification program" (NCFM) in India.
- 1996 Created and administered a settlement fund.
- Launched NIFTY 50 Index, which remains our flagship index today.
- Commenced trading and settlement in dematerialised securities on our exchange.
- 1995 Established an Investor Protection Fund Trust.
- 1994 Launched the equity and wholesale debt market segments.
- Commenced electronic or screen-based trading.
- 1993 Recognised as a stock exchange

# 2000 to 2010

- 2010 Launched NOW platform for mobile devices.
- Launched trading in Currency Options
- 2009 Launched Mutual Fund Service System (MFSS).
- 2008 First in India to offer trading in Currency Futures.
- Establishment of Securities Lending and Borrowing Scheme (SLBS).
- Launched NOW platform for web-based trading.
- 2005 Launched NIFTY Bank index derivatives.
- 2002 Launched ETFs listings.
- 2001 Launched index options based on the NIFTY 50 index (then known as S&P CNX NIFTY) for trading
- Launched single stock futures and options on listed securities.

# 2010 to present

- 2018NSE signs Post-Trade Technology and Strategic Partnership Agreement with Nasdaq
- NSE becomes the first Indian stock exchange to be part 30 exempted by Commodity Futures Trading Commission (CFTC), enables access for US clients.
- NSE announces launch of Tri-Party Repo on Corporate Debt Securities
- NSE launches e-Gsec Platform for retail
- Introduction of Cross Currency Derivatives contracts on EUR-USD, GBP-USD and USD-JPY
- 2017Launch of Trading on Sovereign Gold Bond (SGB)
- Launch of an international exchange in Gujarat International Finance Tech City - International Financial Service Centre. NSE IFSC Exchange
- 2016Launched NIFTY 50 index futures trading on TAIFEX
- Launched platform for sovereign gold bond issuances
- Launched electronic book-building platform for private placement of debt securities
- 2015Entered into a memorandum of understanding to enhance the level of cooperation with the London Stock Exchange Group.
- Renamed CNX NIFTY to NIFTY 50.
- 2014Launched NMF-II platform for mutual funds
- Launched NBF II segment for interest rate futures
- Launched trading on India VIX index futures
- Commenced trading on NIFTY 50 (then known as CNX NIFTY) on the Osaka Exchange
- 2013Launched the New Debt Segment(NDS).
- 2012Commenced trading in index futures and options contracts on the FTSE 100 index
- Launched SME-specific EMERGE platform for the listing and trading of securities of SMEs.
- 2011Commenced trading in index futures and options on global indices, namely the S&P 500 and Dow Jones Industrial Average.

# **The important objectives of the NSE are given below:**

- i) To provide a fair, transparent and efficient securities market to investors using electronic trading system.
- (ii) To establish nationwide trading facility for equities and debt instruments.
- (iii) To ensure equal access to investors all over the country through an appropriate communication network.
- (iv) To improve the standard of securities market to international level.



# Organisation and Management:

- The National Stock Exchange of India is managed by Board of Directors. The Board to an Executive Committee, which includes representatives from trading members, public and the management, delegate's decision relating to market operations.
- Besides the exchange operates various committees to advise it on areas such as good market practices, settlement procedures, risk containment system etc. Industry professionals, trading members and exchange staffs are members in these committees. The day-to-day management of the exchange is delegated to the Managing Director who is supported by a team of professional staff.

# Listing of Securities at stock exchange

- Listing means the admission of securities of a company to trading on a stock exchange. Listing is not compulsory under the Companies Act. It becomes necessary when a public limited company desires to issue shares or debentures to the public. When securities are listed in a stock exchange the company has to comply with the requirements of the exchange.

# Objectives of Listing

- **Objectives of Listing**
- The major objectives of listing are
- 1. To provide ready marketability and liquidity of a company's securities.
- 2. To provide free negotiability to stocks.
- 3. To protect shareholders and investors interests.
- 4. To provide a mechanism for effective control and supervision of trading.

# Listing requirements

- A company which desires to list its shares in a stock exchange has to comply with the following requirements:
- 1. Permission for listing should have been provided for in the Memorandum of Association and Articles of Association.
- 2. The company should have issued for public subscription at least the minimum prescribed percentage of its share capital (49 percent).
- 3. The prospectus should contain necessary information with regard to the opening of subscription list, receipt of share application etc.
- 4. Allotment of shares should be done in a fair and reasonable manner. In case of over subscription, the basis of allotment should be decided by the company in consultation with the recognized stock exchange where the shares are proposed to be listed.
- 5. The company must enter into a listing agreement with the stock exchange. The listing agreement contains the terms and conditions of listing. It also contains the disclosures that have to be made by the company on a continuous basis.

# Minimum Public Offer

- A company which desires to list its securities in a stock exchange, should offer at least sixty percent of its issued capital for public subscription. Out of this sixty percent, a maximum of eleven percent in the aggregate may be reserved for the Central government, State government, their investment agencies and public financial institutions.
- The public offer should be made through a prospectus and through newspaper advertisements. The promoters might choose to take up the remaining forty percent for themselves, or allot a part of it to their associates.

# Fair allotment

- Allotment of shares should be made in a fair and transparent manner. In case of over subscription, allotment should be made in an equitable manner in consultation with the stock exchange where the shares are proposed to be listed.
- In case, the company proposes to list its shares in more than one exchange, the basis of allotment should be decided in consultation with the stock exchange which is located in the place in which the company's registered office is located.

# Listing Procedure

- The following are the steps to be followed in listing of a company's securities in a stock exchange:
- 1. The promoters should first decide on the stock exchange or exchanges where they want the shares to be listed.
- 2. They should contact the authorities to the respective stock exchange/ exchanges where they propose to list.
- 3. They should discuss with the stock exchange authorities the requirements and eligibility for listing.
- 4. The proposed Memorandum of Association, Articles of Association and Prospectus should be submitted for necessary examination to the stock exchange authorities

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- 5. The company then finalizes the Memorandum, Articles and Prospectus
- 6. Securities are issued and allotted.
- 7. The company enters into a listing agreement by paying the prescribed fees and submitting the necessary documents and particulars.
- 8. Shares are then and are available for trading.



Thank You